

CERB and reduced income: how to optimize your tax return

As tax season is almost upon us, the pandemic impacts even our tax filing. If you've lost your job, experienced a drop in income or benefited from the Canada Emergency Response Benefit (CERB) in 2020, here are a few tips from Josée Cabral, Senior Tax Specialist at H&R Block, to make the most of your tax situation.

CERB and taxes

Unlike employment income, CERB is provided without any tax deductions at source. If you received this benefit in 2020, did you save some money to cover any upcoming taxes to be paid? "I recommend setting aside \$400 for every \$2,000 received," says Ms. Cabral. "The exact rate will vary depending on each person's unique situation, but it's a safe baseline."

Payment arrangements with the government

Unless the governments announce otherwise, unpaid taxes beyond April 30 carry hefty penalties: 5% for the first month, followed by 1% interest for each additional month. "If you can't pay the balance in full, contact the Canada Revenue Agency and Revenu Québec to discuss an instalment payment agreement," continues Ms. Cabral. "This cuts the penalty and interest, as long as the commitment is respected."

Make sure to take such steps no later than early May, to show some good faith.

Tax filing simulation

With so many tax credits and deductions available and everyone's tax situation being unique, reporting your taxes can be complex. "I encourage people to speak with an H&R Block tax specialist as early as February to prepare their tax return," suggests Cabral. "Using a simulation, we can help find all the tax credits and deductions available for each individual's situation, determine if there will be a balance owing and act accordingly." Talking to a specialist in advance will allow you to determine whether it may be advantageous to make additional contributions to your Registered Retirement Savings Plan (RRSP) before the March 1 deadline to help reduce your taxable income and any taxes owing.

[To help estimate your tax return or any amount owing, take advantage of this online tax calculator.](#)

Lower income, higher credits and programs

Whether it's because your job was affected by the pandemic or thanks to the tax benefits of your RRSP contributions, your reduced taxable income could entitle you to certain government programs and credits. "With an income below \$48,000, a taxpayer could take advantage of the provincial *crédit d'impôt pour solidarité* and the federal GST credit," says Ms. Cabral.

With other measures, such as the enhanced Canada child benefit for low- and middle-income families credit, the amount received varies according to the taxable income. “A family with an household income below \$120,000 is entitled to four payments of \$300 each; above this threshold, benefits decrease to \$150,” summarizes the expert.

Trust a professional with your tax filing

Every year, H&R Block specialists attend 70 hours of training to remain up to date about the latest changes in tax matters. “We’re here to identify the credits and deductions taxpayers are entitled to in order to maximize their tax return,” concludes Ms. Cabral. The best way to optimize your tax return is to let the experts handle it!

[Find an H&R Block office to speak with a tax specialist today.](#)